

Message Text

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C O N F I D E N T I A L STATE 044410

EXDIS FOR THE DEPUTY SECRETARY

FOLLOWIIG REPEAT BELGRADE 1167 ACTION SECSTATE INFO
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C O N F I D E N T I A L BELGRADE 1167

EXDIS

FOR PM (VEST); EUR (ARMITAGE)

EO 11652: GDS

TAGS: ENRG MNUC TECH YO

SUBJ: U.S./GOY BILATERALS ON KRSKO NUCLEAR EXPORT LICENSE

REF: BELGRADE 1165

1. U.S. TEAM CONSISTING OF FORMER PM DIRECTOR VEST, EUR
DEPUTY ASSISTANT SECRETARY ARMITAGE AND OES HOYLE WITH
CHARGE AND EMBOFFS MET WITH 15-MAN YUGOSLAV DELEGATION UNDER
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PAGE 02 STATE 044410

FSFA ASSISTANT SECRETARY FOR NORTH AMERICAN AND WEST EUROPE
BERNARDIC FEB 24 AND 25. DESPITE INDICATIONS THAT
YUGOSLAVS WOULD TAKE A TOUCH NEGOTIATING STANCE, AND THEIR
CHARACTERIZATION IN TALKS OF PRESENT SITUATION AS A "CRISIS",
THEY WERE CONSISTENTLY FRIENDLY AND RESULT WAS WORKMANLIKE
ATMOSPHERE CONDUCTIVE TO CLARIFYING THE ISSUES. AS OBVIOUS
INDICATIONS OF IMPORTANCE GOY PLACES ON THE ISSUE OF KRSKO

EXPORT LICENSE, BOTH VICE PRESIDENT KARDELJ AND FOREIGN SECRETARY MINIC RECEIVED MEMBERS OF DELEGATION AND, IN ADDITION TO RAISING KRSKO ISSUE, PROVIDED DETAILED EXPOSITIONS OF THE YUGOSLAV POSITION ON NONPROLIFERATION (SEPTTEL).

2. THE U.S. TEAM (VEST AND ARMITAGE) CHOSE TO LEAD OFF SUBSTANTIVE DISCUSSIONS BY FRAMING THE U.S. REQUEST FOR ADDITIONAL ASSURANCES ON KRSKO IN CONTEXT OF OUR GLOBAL POLICIES ON DISARMAMENT, NONPROLIFERATION, THE IAEA AND THE NPT. STRESSED WAS THE COMMONALITY OF USG AND GOY OBJECTIVES ON NUCLEAR DISARMAMENT AND NONPROLIFERATION-- KEY GOALS OF THE CARTER ADMINISTRATION. THEY SAID THAT STARTING ABOUT TWO YEARS AGO, A NUMBER OF FACTORS CONVINCED THE U.S. THAT URGENT ACTION WAS REQUIRED TO STRENGTHEN EXISTING NONPROLIFERATION MEASURES. THESE FACTORS INCLUDED THE INDIAN NUCLEAR EXPLOSION AND THE ACCELERATING SPREAD OF NUCLEAR TECHNOLOGY, PARTICULARLY TO SOUTH KOREA, BRAZIL AND PAKISTAN. THUS, THE U.S. INITIATED THE LONDON SUPPLIERS CONFERENCE IN AN ATTEMPT TO ARRIVE AT COMMON AND ADEQUATE SAFEGUARDS ON NUCLEAR EXPORTS. IN ADDITION, THE U.S. WAS REASSESSING ITS DOMESTIC POLICIES REGARDING THE USE OF PLUTONIUM.

3. THE U.S. SIDE CONTINUED THAT THE AIDE MEMOIRE OF DECEMBER 3 BOTH REFLECTED THIS POLICY DEVELOPMENT AND ATTEMPTED TO MAKE UNIFORM THE SAFEGUARDS COMMITMENTS OF NATIONS RECEIVING NUCLEAR EXPORTS FROM THE U.S. INDEED, THE U.S. WILL SEEK TO RENEGOTIATE OVER 30 BILATERAL SUPPLY AGREEMENTS. IT WAS STRESSED THAT THIS WAS NOT AN ATTEMPT TO SEEK COMMERCIAL CONFIDENTIAL

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PAGE 03 STATE 044410

ADVANTAGE OR A TECHNOLOGICAL MONOPOLY; INDEED, THESE POLICIES WERE BEING PURSUED AT GREAT LOSS IN BOTH COMMERCIAL AND POLITICAL TERMS. THE U.S. WAS DEEPLY CONCERNED BY THE URGENCY OF THE YUGOSLAV PROBLEMS, WITNESS THE PRESENCE OF THE US TEAM IN BELGRADE. THE YUGOSLAWS WERE ASSURED THAT THERE IS NO ATTEMPT TO DISCRIMINATE AGAINST YUGOSLAVIA, BUT NEITHER CAN THE U.S. DISCRIMINATE IN FAVOR OF YUGOSLAVIA BY MAKING AN EXCEPTION, OTHERWISE WE OPEN THE WAY FOR LOOPHOLES WHICH COULD VITIATE AN EFFECTIVE NUCLEAR POLICY. (ESSENTIALLY THE SAME POINTS WERE MADE TO VICE PRESIDENT KARDELJ BY ARMITAGE AND TO FONMIN MINIC BY VEST AND ARMITAGE IN SEPARATE MEETINGS, SEE REFTTEL).

4. AS POSED BY BERNARDIC, THE YUGOSLAV ARGUMENT IS AS FOLLOWS:

- 1) THE YUGOSLAWS ENTERED NO LESS THAN SIX AGREEMENTS FULFILLING ALL CONDITIONS SET BY THE U.S.
- 2) YUGOSLAVIA HAS NO INTENTION OF DEVELOPING NUCLEAR WEAPONS.
- 3) THE U.S. "NONFULFILLMENT" OF ITS OBLIGATIONS ON KRSKO

IS ENDANGERING THE INTERNATIONAL STRUCTURE AGAINST PROLIFERATION,
I.E., THE NPT AND THE IAEA.

4) THE U.S. WAS VIOLATING THE PRINCIPLE OF NATIONAL EQUALITY
BY IMPOSING A UNILATERAL DICTAT.

5) THE DELAY IN THE KRSKO LICENSE HAD ALREADY LED TO
SOME LOSSES AND WOULD CAUSE SEVERE MATERIAL DAMAGE TO
YUGOSLAVIA'S ECONOMY. (KRSKO PROJECT MANAGER DULAR ESTIMATED
THAT AS OF MARCH 1ST 25 MILLION DOLLARS A MONTH WILL BE LOST
BY DELAYS AND THAT A COLLAPSE OF THE PROJECT WOULD COST A
HALF BILLION DOLLARS IN DIRECT LOSSES AND LOST ELECTRICAL
CAPACITY.)

6) THE GOY ALWAYS MEETS ITS INTERNATIONAL COMMITMENTS
AND WOULD CONTINUE TO DO SO EVEN IF THE NPT AND IAEA CEASED
TO EXIST.

7) THE KRSKO PROBLEM RAISES CONCERN OVER THE POSSIBILITY
THAT THE NONALIGNED NATIONS ARE BEING DENIED ACCESS TO
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PAGE 04 STATE 044410

PEACEFUL NUCLEAR TECHNOLOGY DEEMED NECESSARY TO ECONOMIC
DEVELOPMENT.

5. BERNARDIC SET THE FOLLOWING CONDITIONS ON A SOLUTION:

- 1) THAT IT DOES NOT INFRINGE OF NATIONAL SOVEREIGNTY;
- 2) THEAT THE GOY WOULD ONLY ACCEPT CONDITIONS IN THE CONTEXT
OF EXISTING AGREEMENTS;
- 3) YUGOSLAVIA WOULD NOT GIVE UP ITS RIGHT TO DEVELOP
NUCLEAR TECHNOLOGY FOR PEACEFUL USES.

IN SO DOING, HE SHOWED AN UNDERSTANDING AND CONSIDERATION FOR
THE GLOBAL RESPONSIBILITIES OF THE U.S. AS A NUCLEAR EXPORTER
AND RECOGNIZED THAT A SOLUTION TO THE KRSKO PROBLEM WOULD NOT
BE POSSIBLE IMMEDIATELY. IT WAS IMPORTANT FOR HIM AND THE
OTHER MEMBERS OF THE DELEGATION THAT THE U.S. HAD SHOWN ITS
WILLINGNESS TO WORK TOWARD A MUTUALLY SATISFACTORY SOLUTION
BY SENDING ITS TEAM OF NEGOTIATORS.

6. BERNARDIC MADE THE FOLLOWING STATEMENTS IN DESCRIBING A
POSSIBLE SOLUTION:

- 1) FIRST, THE MAIN POINT WAS THAT THE GOY WAS WILLING
TO ISSUE SOME SORT OF UNILATERAL STATEMENT OF OBLIGATIONS
WITHIN THE CONTEXT OF ALREADY EXISTING AGREEMENTS. THE
EXACT WORDING AND CONTENT OF SUCH A STATEMENT WOULD HAVE TO
BE WORKED OUT IN FURTHER NEGOTIATIONS.
 - 2) HE ASKED THAT AN EXCEPTION BE MADE FOR YUGOSLAVIA,
NOTING THAT THE ONLY OTHER COUNTRY RECEIVING U.S. NUCLEAR
EQUIPMENT UNDER A TRILATERAL RATHER THAN BILATERAL AGREEMENT,
MEXICO, HAD ALREADY RECEIVED AN EXPORT LICENSE FOR EQUIPMENT, EVEN
THOUGH MEXICAN CONTRACT SIGNED AFTER KRSKO CONTRACE.
- COMMENT: AS TALKS PROGRESSED, YUGOSLAVS INCREASED THEIR
EMPHASIS ON WHAT THEY CONSIDERED DISCRIMINATION.

3) HE URGED THAT THE DELIVERIES OF EQUIPMENT BE
RESUMED AS SOON AS POSSIBLE LEAVING THE BILATERAL POLITICAL
PROBLEMS TO BE RESOLVED WITHOUT PRESSURE IN THE PERIOD
THE LICENSE FOR THE FUEL DELIVERIES WAS CONSIDERED.

4) IN THE MEANTIME THE YUGOSLAVS CONSIDER THE U.S. TO BE
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PAGE 05 STATE 044410

RESPONSIBLE FOR LOSSES INCURRED OWING TO THE DELAYS IN THE
ISSUANCE OF THE LICENSE.

7. COMMENT: YUGOSLAVS APPROACH WAS FRIENDLY BUT FIRM IN
SUBSTANCE THAT YUGOSLAVIA'S SOVEREIGNTY WAS PARAMOUNT ISSUE.
THEY PRESSED IN GROUP AND INDIVIDUAL MEETINGS THAT U.S.
SHOULD HONOR ITS LEGAL COMMITMENTS AND NOT TRY TO ENMESH THE
U.S./YUGOSLAV SITUATION IN NEW U.S. POLICY CONTEXT WHICH
WAS DESIGNED FOR GLOBAL NONPROLIFERATION NEED. IN FACE OF
FIRM U.S. RESPONSE, YUGOSLAVS SUGGESTED AS LAST RESORT THAT
WE TRY IN UNILATERAL YUGOSLAV STATEMENT INTERPRETING
EXISTING INTERNATIONAL COMMITMENTS TO FIND WAY TO ACCOMMODATE
U.S. CONCERNS EXPRESSED IN AIDE MEMOIRE IN FORM WHICH MIGHT
BE ACCEPTABLE FROM POINT OF VIEW OF YUGOSLAV SOVEREIGNTY. WE
AGREED TO EXPLORE THIS APPROACH IN WASHINGTON, BOTH SIDES
RECOGNIZING THE URGENCY POSED BY THE NEED TO GET DELIVERY
UNDERWAY BEFORE APRIL TO AVOID COSTLY DELAY IN CONSTRUCTION
SCHEDULE.

8. GIVEN POLITICAL LEVEL TO WHICH THIS SUBJECT HAS BEEN RAISED
HERE, WE DO NOT THINK A BILATERAL AGREEMENT WILL BE ACCEPTABLE
NOW AND DO THINK WE SHOULD LOOK TO THE UNILATERAL FORMULA AS
A FACE-SAVING BOTTLE INTO WHICH WE MAY BE ABLE TO POUR OUR
SUBSTANTIVE CONCERN. IF NOT, WE THINK THE YUGOSLAVS WILL STICK
TO THEIR POSITION; THERE WILL BE A PUBLIC BLOW-UP BETWEEN US
WHICH WILL POISON THIRD WORLD POSSIBILITIES FOR PRESSING OUR
NUCLEAR NONPROLIFERATION OBJECTIVES AND WHICH WILL ALSO
PROGRESSIVELY EMBITTER RELATIONS BETWEEN THE U.S. AND YUGOSLAVIA
AT THE BEGINNING OF THIS ADMINISTRATION AND IN PERIOD WHEN
YUGOSLAVS MAY FACE DISRUPTIVE INTERNAL PRESSURES. YORK UNQTE
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